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Message Text

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17
ORIGIN NEA-10

INFO OCT-01 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00 DOTE-00

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APPROVED BY NEA/INS:DKUX
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EB/AN:MR. COBB
TREASURY:MR. MARESCA (SUBS)
---------- 125987
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FM SECSTATE WASHDC
TO AMEMBASSY NEW DELHI

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E.O. 11652: N/A

TAGS: EAID, IN

SUBJECT: PAN AMERICAN DIFFICULTIES IN INDIA

REF: A) NEW DELHI A-148, DATED APRIL 25, 1975; B) NEW DELHI 6524; C) NEW DELHI 5301; D) STATE 103610

1. REPRESENTATIVES OF STATE, TREASURY, CAB AND OMB MET WITH PAN AM REPS ED PERKINS, TOM SHYLLING AND JOE HALE JUNE 6. GROUP REVIEWED PAN AMERICAN'S COMPLAINT LIST IN EFFORT ASCERTAIN WHICH PROBLEMS SHOULD BE ASSIGNED PRIORITY SECTION PROCESS GOVERNED BY FOLLOWING CRITERIA:

A) APPROPRIATENESS OF ADDRESSING ISSUE IN BILATERAL CONTEXT.
B) RELATIVE IMPACT OF PROBLEM ON PAN AM'S COMPETITIVE POSITION IN INDIA.
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C) NEED FOR EASING PAN AM CASH FLOW PROBLEM AND REDUCING COSTS IN INDIA.

GROUP CONCLUDED ATTENTION SHOULD BE FOCUSED ON FIRST THREE

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ITEMS SUBMITTED REF A. NEITHER PAN AM NOR WE RAISED MATTER OF PROPOSED TAX TREATY LIMITED TO EARNINGS AIR CARRIERS AND SHIPPING COMPANIES.

2. OF THREE PRIORITY ISSUES, PERKINS SPENT MOST TIME ON REMITTANCE ISSUE. HE EXPLAINED HIS COMPANY WOULD LIKE VERY MUCH TO REDUCE TIME REQUIRED FOR CONVERSION RUPEES TO DOLLARS. "FLOAT" AT ANY ONE TIME IS ABOUT 400-500 THOUSAND DOLLARS OR ABOUT 2-3 MONTHS OF SALES, ACCORDING PERKINS. COST TO PAN AM IS INTEREST ON AMOUNT OF FLOAT. USG GROUP EXPLAINED THAT VARIOUS ALTERNATIVES HAD BEEN EXPLORED, BUT THAT APPROACH TO GOI FOR RELIEF SEEMED MOST DESIRABLE SINCE IT WOULD GIVE PAN AM ACROSS THE BOARD RELIEF, WOULD REQUIRE NO LEGISLATION ON EITHER SIDE, AND COULD BE IMPLEMENTED MOST QUICKLY. GIVEN THESE AD-VANTAGES, IT MADE SENSE THAT WE SUPPORT PAN AM'S IDEA FOR QUICK APPROVAL OF REMITTANCE APPLICATIONS ON POST AUDIT BASIS. APPROACH SHOULD BE MADE TO RESERVE BANK OF INDIA IN BOMBAY WHICH, WE ARE INFORMED, HAS AUTHORITY TO DO THIS WITHOUT ADDITIONAL LEGISLATION.

3. AVAILABILITY OF $100 IN FOREIGN EXCHANGE TO INDIAN CITIZENS ON CONDITIONS THEY TRAVEL AIR INDIA SEEMED TO US TO BE VIOLATION OF SPIRIT AND LETTER OF AIR TRANSPORT SERVICES AGREEMENT BETWEEN INDIAN AND U.S., SIGNED FEBRUARY 3, 1956, SINCE IT GIVES CLEAR COMPETITIVE EDGE TO AIR INDIA IN COMPETING FOR TRAVELLER WHO IS INDIAN NATIONAL. IT SEEMS TO US THAT, IF PAN AM ALLEGATION IS TRUE, USG SHOULD NOT HESITATE TO GO TO GOI AND FORMALLY COMPLAIN THIS PRACTICE INCONSISTENT WITH PROVISIONS OF BILATERAL. IF NECESSARY, WE CAN CONSIDER REQUESTING FORMAL CONSULTATIONS UNDER ARTICLE 12 OF AGREEMENT.

4. DISCRIMINATION IN APPLICATION TRAVEL REGULATIONS OR HANDLING TRAVEL DOCUMENTS ALSO WOULD BE INCONSISTENT WITH BILATERAL, BUT IT SEEMS TO US THIS CHARGE BY PAN AM WOULD BE HARD TO PROVE. WE ARE RESERVING JUDGEMENT ON HOW TO
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MOVE ON THIS ONE.

5. AS EMBASSY AWARE, LANDE WILL BE IN WASHINGTON FOR CONSULTATIONS THIS WEEK. WE INTEND USE OPPORTUNITY TO DISCUSS PAN AMERICAN PROBLEMS WITH HIM INCLUDING OPTIONS OPEN TO US IF GOI PROVES UNWILLING TO COOPERATE IN EFFORT RESOLVE PAN AMERICAN PROBLEMS. WE WOULD, HOWEVER, WELCOME ANY FURTHER THOUGHTS EMBASSY MAY HAVE ON WHAT CAN APPRO-PRIATELY BE DONE TO BE OF ASSISTANCE TO PAN AMERICAN. WE ARE CONSIDERING POSSIBILITY OF ASKING CAB TO "INVESTIGATE" THE ORDERED FARES BETWEEN U.S. AND INDIA AS ONE POSSIBLE PRESSURE POINT. HOWEVER, IT IS NOT LIKELY THAT THESE

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FARES COULD BE SUSPENDED PRIOR TO INVESTIGATION. KISSINGER

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